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SUBJECT: INVESTING IN BANGLADESH'S DEMOCRATIC DEVELOPMENT

SUMMARY

1. (U) Bangladesh's successful democratic transition following the December 29, 2008 parliamentary elections opened a new chapter in this country's history. This exceptional moment also presents the United States and other development partners with an historic opportunity to help Bangladesh improve governance, foster economic development, and deny space to terrorist groups. However, as the seventh most populous country in the world and the fourth largest Muslim-majority country, what happens in the electoral aftermath is just as important to Bangladesh and the United States as the successful return to democratically elected leadership. Now is the time for the USG to strategically invest in democratic decentralization and promote good governance and public accountability. Post strongly urges that the full \$20.5 million planned Governance and Ruling Justly program funding be provided during FY 2009. Anything less risks missing a once in a generation opportunity to effect lasting change in the country's political landscape.

FY-09 Request

2. (U) The January 6 swearing in of the new Awami League government represented the culmination of two years of intensive diplomatic activity and targeted development assistance resources that helped ensure free, fair, credible, and peaceful elections. We now need to invest sufficient resources to consolidate the gains of the past two years and support efforts to fight corruption, strengthen parliament, reform political parties, promote democratic decentralization, and foster greater respect for human rights. As Washington considers funding decisions for FY-09 and beyond, we offer the following background and recommendations on our funding request.

3. (U) The FY-09 planning budget for Bangladesh's Governing Justly and Democratically (GJD) program is \$20,531,000. Additionally we have requested \$1.1 million from the Transnational Crime program area for combating trafficking-in-persons. FY-10 planning levels represent a modest increase to \$23,762,000 for GJD programs and would be distributed proportionally in a similar manner. It is critical that, at a minimum, post be allotted funding at the planning levels to assist Bangladesh at this seminal moment in its development. At the \$20.5 million level for GJD the Mission plans to engage in the following activities:

Anti-Corruption Program

4. (U) At the FY-09 planned budget level no less than \$6 million for the Mission's flagship Anti-Corruption program (\$5M from 2.2.4 Anti-Corruption Program Element & \$1M from

2.4.2 Media Freedom Program Element). Addressing corruption and strengthening civil society and media oversight of public spending remain top foreign assistance goals for Bangladesh. The new government has expressed interest in qualifying for MCC funding - a goal now within reach thanks to the success and momentum created by the Caretaker Government. At the same time, corruption and poor governance remain key obstacles to development. This program focuses on the national budgetary process by providing technical assistance and training to strengthen parliamentary oversight committees and establishing a Parliamentary Budget Analysis Unit; enhancing the capacity of the Office of the Comptroller and Auditor General; making more transparent the Ministry of Finance's development of the national budget; supporting citizen advocacy and watchdog initiatives; promoting legal reforms for greater access to reliable information; and strengthening investigative journalism and citizen participation in understanding and developing program-based budgets to serve as a check on the Government. This initiative will help ensure effective stewardship of public resources by assisting in a more transparent development, review and implementation of the Government of Bangladesh's national budget.

¶15. (U) Other donors provide support to the Anti-Corruption Commission, support the design and implementation of a public financial management system, and support research being done mostly through Transparency International Bangladesh. Currently, no donors other than the U.S. are focused on either the national budgetary process or investigative journalism. Moreover, the USG has unique comparative advantage working on the accountability of public spending and the development of the national budget.

#### Political Party and Legislative Strengthening

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¶16. (U) FY-09 initial funding levels would allow for post to allocate \$6 million for political party and legislative strengthening (\$4.5M from 2.3.3 Political Parties & \$1.5M from 2.2.1 Legislative Function). Political party reform and democratization are integrally linked to strengthening the Parliamentary system. Following the completion of the first national elections since 2001, there is widespread recognition of the need to reinvigorate political parties and restructure their internal organization to address changing political dynamics. More than half the Members of Parliament (MPs) have been elected for the first time. This opens a rare window of opportunity to assist and educate new MPs, form issue-based caucuses, improve the openness and public participation in the legislative process, strengthen the committee system and professionalize staffers. By working jointly with political parties and parliament we hope to influence national leaders to focus on crucial national, regional and international issues.

¶17. (U) Currently, other donors are neither supporting political party reform nor working directly with parties. While the Canadians and the United Nations Development Program (UNDP) have plans to work with the Parliament, they are far from implementation. USAID is coordinating closely with them to avoid overlaps.

#### Democratic Decentralization and Local Governance

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¶18. (U) If FY-09 planned funding levels are provided, we will dedicate \$5 million to promoting democratic decentralization and participatory local governance (\$5M from 2.2.3 Local Government & Decentralization). Bangladesh is one of the most centralized countries in the world. As a result, abuses often go undetected and government lacks public accountability. The overly centralized decision-making concentrates power in the hands of the few. Upazila elections (county equivalents) took place on January 22 for the first time in almost 19 years, providing an alternative to top-down governance and development. We need to seize this opportunity to work with the newly elected Upazila

officials to help them implement the local government reforms begun by the caretaker government.

¶9. (U) Additionally, USAID has been facilitating a national dialogue on decentralization, strengthening the management and planning capacity of local governments (at the municipal level equivalent), promoting citizen participation in local decision-making and oversight committees with greater success in the Southwest and Northwest. Unfortunately this work has been almost eliminated due to FY 2008 budget constraints. In addition to working with the newly formed Upazila administrations, we need to strengthen local-level service delivery. We also seek to promote participatory planning and open public budget hearings at the lowest level of government, where most citizens interact with public officials. Strengthening local government will help build as well as serve as a counterweight to the central government, and can establish trust and confidence in the democratic system.

¶10. (U) The World Bank is providing a loan facility to the government for block grants to local governments. The Swiss and others provide limited support for local governance activities. USAID has signed a Memorandum of Understanding (MOU) with the Ministry of Local Governance which sets out a strategic approach for local government strengthening. USAID continues some work with local governments in the Southwest as a part of Cyclone Sidr reconstruction.

#### Leaders of Influence

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¶11. (U) \$1 million of critical FY-09 funding will be provided for Leaders of Influence (\$1M from Civic Participation). Reaching out to leaders of influence, particularly religious leaders, has been an extremely useful approach to strengthen moderate voices and tolerance in Bangladeshi society. The overall objective of this activity is to promote tolerance, diversity and social harmony and understanding by engaging and exposing Leaders of Influence to modern practices of development and democracy. This program aims to enhance the commitment of a deeply religious population to the principles of development and democratic governance upon which Bangladesh's ambitious poverty reduction and economic development initiatives depend.

¶12. (U) No other donor is working with outreach to leaders of influence or religious leaders except as related to sector-specific projects (e.g., a school management committee may involve community leaders).

#### Human Rights

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¶13. (U) A renewed initiative for FY-09 is to invest \$2.5 million for human rights (\$2.5M from 2.1.4 Human Rights). Post has not had a human rights program since 2006 due to budget constraints. Domestic violence and respect for women's rights are ongoing priority issues that we should support. At least half of all Bangladeshi women experience some form of domestic violence, part of a vicious cycle passed from parents to children which can only be broken by education, advocacy and an enabling legal environment. Respect for women's rights remains a challenge. For example, the Caretaker Government encountered resistance when it attempted to implement a new women's development policy. The USG is uniquely positioned to be able to influence these key basic human rights issues.

¶14. (U) Some other donors, most notably the Scandinavian countries, are working on these issues, but in a disjointed and uneven way. The USG could take an important leadership role to move these concerns higher up on the country's development agenda. With funding, that could lead to a more coordinated and effective effort to strengthen respect for basic human rights.

## Opportunities That Could be Lost

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¶15. (U) We understand there has been some discussion of "straight lining" our FY-09 Democracy and Governance request from the FY-08 budget (approximately \$21 million was requested but only about \$11 million was actually allocated).

This would be a huge mistake and lead not only to missed opportunities but also risk institutionalizing problems that would set Bangladesh back. The first casualty of a straight-lined FY-09 D/G budget at \$11 million would be the elimination of human rights and democratic decentralization/local governance programs. We are required to honor on-going contractual commitments for anti-corruption and the leaders of influence projects. The follow-on political party and legislative strengthening program would also be reduced. Overall, a straight line budget would be allocated as follows:

-- \$6 million for anti-corruption: This remains the highest priority for both the USG and the Government of Bangladesh.

-- \$4 million for political party and legislative strengthening: We would be forced to scale back activities and would lose unprecedented opportunities to influence political party reforms.

-- \$0 for decentralization and local governance: Without additional funding, we could not begin a new activity to take advantage of the historic opportunity to work with newly elected sub-national governments and promote decentralization and citizen involvement in public decision-making.

-- \$1 million for leaders of influence: Encouraging tolerance, understanding and involvement of leaders, particularly religious leaders, must continue in an effort to strengthen moderate voices in society.

-- \$0 for human rights: At lower funding levels, we would lack the necessary resources to help improve the rights of citizens in the fourth largest Muslim-majority country in the world.

Comment

¶16. (U) This is a historic moment for Bangladesh that provides an opportunity to address lingering governance deficits which have plagued the country since its birth in 1971. This window of opportunity comes at a time when the U.S. has identified Bangladesh as strategically important in a number of global efforts - climate change mitigation and the war on terror, to name just two. In this grindingly poor Muslim-majority nation our goals of supporting development, democracy, and the denial of space to terrorism are intertwined. The newly installed government is pro-U.S., and we have a chance to make sure Bangladesh remains on the right track. It is imperative that our programs reflect this message with sufficient resources overall and for Democracy and Governance programs in particular. If we miss the chance now the cost of future democracy-related investments will inevitably be higher and potentially less successful.

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